

ORIGINAL



0000130476

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

2011 OCT 13 P 4:30

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
BERMUDA WATER COMPANY, AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES IN ITS
WATER RATES AND CHARGES FOR UTILITY
SERVICE BASED THEREON.

DOCKET NO. W-01812A-10-0521

**STAFF'S NOTICE OF FILING
SURREBUTTAL TESTIMONY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the Surrebuttal Testimony of Staff Witnesses Jeffrey M. Michlik and Marlin Scott, Jr., in the above-referenced matter.

RESPECTFULLY SUBMITTED this 13th day of October, 2011.

Arizona Corporation Commission

DOCKETED

OCT 13 2011

DOCKETED BY

Bridget A. Humphrey, Staff Attorney
Kimberly Ruht, Staff Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing were filed this
13th day of October, 2011 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 Copies of the foregoing were mailed
2 and/or emailed this 13th day of October, 2011 to:

3 Patrick J. Black
4 FENNEMORE CRAIG
5 3003 N. Central Ave., Suite 2600
6 Phoenix, Arizona 85012-2913
7 Attorneys for Bermuda Water Company

8 Daniel Pozefsky, Chief Counsel
9 RUCO
10 1110 W. Washington, Suite 220
11 Phoenix, Arizona 85007

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28


BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman

BOB STUMP
Commissioner

SANDRA D. KENNEDY
Commissioner

PAUL NEWMAN
Commissioner

BRENDA BURNS
Commissioner

| | |
|--|------------------------------|
| IN THE MATTER OF THE APPLICATION OF) | DOCKET NO. W-01812A-10-08521 |
| BERMUDA WATER COMPANY, AN) | |
| ARIZONA CORPORATION, FOR A) | |
| DETRMINATION OF THE FAIR VALUE OF) | |
| ITS UTILITY PLANTS AND PROPERTY AND) | |
| FOR INCREASES IN ITS WATER RATES AND) | |
| CHARGES FOR UTILITY SERVICE BASED) | |
| <u>THEREON.</u>) | |

SURREBUTTAL

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 13, 2011

TABLE OF CONTENTS

| | <u>Page</u> |
|----------------------|-------------|
| I. INTRODUCTION..... | 1 |
| II. ANALYSIS | 1 |

EXECUTIVE SUMMARY
BERMUDA WATER COMPANY, INC.
DOCKET NO. W-01812A-10-0521

The Company and Staff are in agreement with the revenue requirement, rate base, cost-of-capital and rate design.

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Jeffrey M. Michlik who filed direct testimony in this matter?

A. Yes.

II. ANALYSIS

Q. Have you read the Company's rebuttal Testimony filed on September 22, 2011.

A. Yes.

Q. Are Staff and the Company in agreement with the revenue requirement, rate base, cost-of-capital and rate design.

A. Yes. Ms. Weeks' rebuttal testimony at page 2 states, "the Company is willing to accept all the analysis, adjustments and recommendations made by Staff in their direct testimony."

Q. Does Staff have any additional comments regarding the Company's rebuttal testimony?

A. No. Since the Company has agreed to every aspect of my testimony, I have no additional comments.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE

Chairman

BOB STUMP

Commissioner

SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BRENDA BURNS

Commissioner

IN THE MATTER OF THE APPLICATION OF)
BERMUDA WATER COMPANY, AN ARIZONA)
CORPORATION, FOR A DETERMINATION OF)
THE FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY AND FOR INCREASES IN ITS)
WATER RATES AND CHARGES FOR UTILITY)
SERVICE BASED THEREON.)
_____)

DOCKET NO. W-01812A-10-0521

SURREBUTTAL

TESTIMONY

OF

MARLIN SCOTT, JR.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 13, 2011

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INTRODUCTION | 1 |
| BEST MANAGEMENT PRACTICE TARIFFS | 1 |

EXHIBIT – BMP TARIFFS

1. Public Education Program Tariff
2. Youth Conservation Education Program Tariff – BMP 2.2
3. Residential Audit Program Tariff – BMP 3.1
4. Customer High Water Use Inquiry Resolution Tariff – BMP 3.6
5. Water Use Plan For New Non-Residential Users Tariff – BMP 5.13
6. Water System Tampering Tariff – BMP 5.2
7. Landscape Watering Restrictions Tariff – BMP 5.8

INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Marlin Scott, Jr. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Utilities Engineer.

Q. Are you the same Marlin Scott, Jr. who submitted Direct Testimony on behalf of the Utilities Division?

A. Yes.

Q. What was the purpose of that testimony?

A. My Direct Testimony provided the Utilities Division Staff's ("Staff") engineering evaluation of Bermuda Water Company for this proceeding.

Q. What is the purpose of your Surrebuttal Testimony?

A. To provide a Staff recommendation for approval of the Company's seven selected Best Management Practice ("BMPs") Tariffs.

BEST MANAGEMENT PRACTICE TARIFFS

Q. In its Direct Testimony, did Staff provide a recommendation regarding BMPs?

A. Yes. Staff recommended that the Company file at least seven BMPs, as a compliance item in this docket, for the Commission's review and consideration.

1 **Q. In its Rebuttal Testimony, did the Company respond to Staff's BMP**
2 **recommendation?**

3 A. Not exactly. However, the Company responded by stating that "the Company is willing to
4 accept all the analysis, adjustments and recommendations make by Staff in their direct
5 testimony."

6
7 **Q. What did Staff do after reading the Company's Rebuttal Testimony?**

8 A. Staff contacted the Company to see if the Company would be interested in moving
9 forward at this time with the selection and approval process of the BMPs.

10
11 **Q. What was the Company's response?**

12 A. The Company agreed and emailed their selected seven BMPs to Staff. These seven BMPs
13 are:

- 14
15 1. Public Education Program ("PEP") Tariff
16 2. Youth Conservation Education Program Tariff – BMP 2.2
17 3. Residential Audit Program Tariff – BMP 3.1
18 4. Customer High Water Use Inquiry Resolution Tariff – BMP 3.6
19 5. Water Use Plan For New Non-Residential Users Tariff – BMP 5.13
20 6. Water System Tampering Tariff – BMP 5.2
21 7. Landscape Watering Restrictions Tariff – BMP 5.8
22

23 **Q. What is Staff's response regarding the selected seven BMPs?**

24 A. After its review, Staff concludes that the Company's selected BMP Tariffs are relevant to
25 the Company's service area characteristics and conform to the templates developed by
26 Staff. Staff recommends approval of the Company's seven BMP Tariffs, BMPs PEP, 2.2,
27 3.1, 3.6, 5.13, 5.2 and 5.8, that are attached to this Surrebuttal Testimony as Exhibit –
28 BMP TARIFFS.
29

1 **Q. Does this conclude your Surrebuttal Testimony?**

2 A. Yes.

EXHIBIT – BMP TARIFFS

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Public Education Program Tariff

PURPOSE

A program for Bermuda Water Company, Inc. to provide free written information on water conservation measures to its customers and to remind them of the importance of conserving water (Required Public Education Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall provide two newsletters to each customer; one to be provided in the spring, the other in the fall. The goal of the letters is to provide timely information to customers in preparation of the hot summer months, and the cold winter months, in regards to their water uses. The Company shall remind customers of the importance of water conservation measures and inform them of the information available from the Company.
2. Information in the newsletters shall include water saving tips, home preparation recommendations for water systems/pipes, landscape maintenance issues for summer and winter, water cistern maintenance reminders and additional pertinent topics. Where practical, the Company shall make this information available in digital format which can be e-mailed to customers upon request or posted on the Company's website.
3. Communication channels shall include one or more of the following: water bill inserts, messages on water bills, Company web page, post cards, e-mails and special mailings of print pieces, whichever is the most cost-effective and appropriate for the subject at hand.
4. Free written water conservation materials shall be available in the Company's business office and the Company shall send information to customers on request.
5. The Company may distribute water conservation information at other locations such as libraries, chambers of commerce, community events, etc., as well.
6. The Company shall keep a record of the following information and make it available to the Commission upon request.
 - a. A description of each communication channel (i.e., the way messages will be provided) and the number of times it has been used.
 - b. The number of customers reached (or an estimate).
 - c. A description of the written water conservation material provided free to customers.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Youth Conservation Education Program Tariff – BMP 2.2

PURPOSE

This would be a program for Bermuda Water Company to promote water conservation by increasing students' understanding of water resources and the need to conserve (Modified Non-Per Capita Conservation Program BMP Category 2: Conservation Education and Training 2.2: Youth Conservation Education Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company or designated representative shall work with schools in its service area to increase students' understanding of water resources and to promote water conservation.
2. The Company shall provide a combination of instructional assistance, education materials, teacher education materials, classroom presentations, and field trips to water related facilities.
3. The Company shall provide the following teacher resources:
 - a. Provide free resource materials and information upon request.
 - b. Provide in-classroom presentations upon request.
4. The Company shall make available free water conservation workbooks for elementary school students.
5. The Company shall keep a record of the following information and make it available upon request.
 - a. A description of the youth conservation education process implemented.
 - b. The number of students reached (or an estimate).
 - c. A description of the written water conservation material provided free to students.
 - d. Costs of the Youth Conservation Education Program implementation.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Residential Audit Program Tariff – BMP 3.1

PURPOSE

A program for Bermuda Water Company, Inc. to promote water conservation by providing customers with information on performing water audits to determine conservation opportunities at their residence (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.1: Residential Audit Program).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall offer self-audit information.
2. The Company or designated representative shall provide all customers that request them with a self-audit kit.
3. The kit shall include detailed instructions and tools for completing the water audit including information on how to check their water meter. The audit kit shall include but not be limited to information on checking the following components: irrigation system, pool, water features, toilets, faucets and shower.
4. If requested, the Company shall assist the customer in a self-water audit and assist the customer in determining what might be causing high water usage as well as supply customer with information regarding water conservation and landscape watering guidelines. As part of the water audit, and if requested to do so by the customer, the Company shall confirm the accuracy of the customer meter (applicable meter testing fees shall apply).
5. The Company shall keep a record of the following information and make it available upon request.
 - a. A description of the water conservation material provided in the kit.
 - b. The number of kits provided to customers.
 - c. Implementation costs of the Residential Audit Program.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Customer High Water Use Inquiry Resolution Tariff – BMP 3.6

PURPOSE

A program for Bermuda Water Company, Inc. to assist its customers with their high water-use inquiries and complaints (Modified Non-Per Capita Conservation Program BMP Category 3: Outreach Services 3.6: Customer High Water Use Inquiry Resolution).

REQUIREMENTS

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company shall handle high water use inquiries as calls are received.
2. Calls shall be taken by a customer service representative who has been trained on typical causes of high water consumption as well as leak detection procedures that customers can perform themselves.
3. Upon request by the customer or when the Company determines it is warranted, a trained Field Technician shall be sent to the customer's residence to conduct a leak detection inspection and further assist the customer with water conservation measures.
4. The Company shall follow up in some way on every customer inquiry or complaint and keep a record of inquiries and follow-up activities.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Water Use Plan For New Non-Residential Users Tariff – BMP 5.13

PURPOSE

A program for Bermuda Water Company, Inc. to require all new commercial, industrial, and institutional users who have annual projected water use of ten acre-feet or more per year to submit a water use plan that identifies all water uses anticipated by the user, and the water efficiency measures associated with the uses (Modified Non-Per Capita Conservation Program BMP Category 5: Ordinances/Conditions of Service/Tariffs 5.13: Requiring a Water Use Plan).

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically A.A.C. R14-2-403 and R14-2-410 and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. Subject to the provisions of this tariff, as a condition of service all new commercial, industrial and institutional users with a projected annual water use requirement of five acre-feet (1,629,250 gallons) or more per year, will be required to submit a water use plan which identifies all water uses anticipated by the user and the water efficiency measures associated with the uses.
2. The water use plan submitted by users must include at least three of the following measures:
 - a. Statement of water efficiency policy,
 - b. Water Conservation education/training for employees,
 - c. Identification of on-site recycling and re-use strategies,
 - d. Total cooling capacity and operating Total Dissolved Solids or conductivity for cooling towers,
 - e. Identification of best available technologies used for process, cooling and domestic water uses,
 - f. Landscape watering system distribution uniformity and landscape water budget, and/or
 - g. Total annual water budget for the facility.
3. The Company shall provide to all new commercial, industrial, and institutional customers a complete copy of this tariff and all attachments upon request for service. The customer shall follow and abide by this tariff.
4. If after a customer has been connected to the Company water system, the Company discovers that the customer has, for example, installed turf or water-use intensive features contrary to its water use plan, the Company shall notify (in writing) the customer of such violation and provide the customer with the appropriate educational materials informing the customer of some possibilities of how to correct

the problem. The customer shall be allowed sixty (60) days to come into compliance with his or her plan requirements. If after sixty (60) days the customer is not in compliance with his or her plan requirements, the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E.

5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

WATER SYSTEM TAMPERING TARIFF – BMP 5.2

PURPOSE

The purpose of this tariff is to promote the conservation of groundwater by enabling the Company to bring an action for damages or to enjoin any activity against a person who tampers with the water system.

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically Arizona Administrative Code ("AAC") R14-2-410 and the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. In support of the Company's water conservation goals, the Company may bring an action for damages or to enjoin any activity against a person who: (1) makes a connection or reconnection with property owned or used by the Company to provide utility service without the Company's authorization or consent; (2) prevents a Company meter or other device used to determine the charge for utility services from accurately performing its measuring function; (3) tampers with property owned or used by the Company; or (4) uses or receives the Company's services without the authorization or consent of the Company and knows or has reason to know of the unlawful diversion, tampering or connection. If the Company's action is successful, the Company may recover as damages three times the amount of actual damages.
2. Compliance with the provisions of this tariff will be a condition of service.
3. The Company shall provide to all its customers, upon request, a complete copy of this tariff and AAC R14-2-410. The customers shall follow and abide by this tariff.
4. If a customer is connected to the Company water system and the Company discovers that the customer has taken any of the actions listed in No. 1 above, the Company may terminate service per AAC R14-2-410.
5. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Company: Bermuda Water Company, Inc.

Decision No.: _____

Phone: 928-763-6676

Effective Date: _____

Landscape Watering Restrictions Tariff – BMP 5.8

PURPOSE

A program for Bermuda Water Company, Inc. to restrict water use within its service area by limiting or reducing water used for landscape purposes (Modified Non-Per Capita Conservation Program BMP Category 5: Ordinances/Conditions of Service/Tariffs 5.8: Landscape Watering Restrictions).

REQUIREMENTS:

The requirements of this tariff are governed by Rules of the Arizona Corporation Commission, specifically A.A.C. R14-2-403 and R14-2-410 and were adapted from the Arizona Department of Water Resources' Required Public Education Program and Best Management Practices in the Modified Non-Per Capita Conservation Program.

1. The Company's service area is within portions of the City of Bullhead City and unincorporated areas of Mohave County. Various City/County Codes and/or Ordinances may apply depending on the location of the customer. In order for a customer to receive water service from the Company on or after the effective date of this tariff the customer must comply with the various City/County Codes and/or Ordinances that apply.
2. In the event the Company implements its Commission approved Curtailment Plan Tariff ("CPT"), the customers will be informed of the CPT's Curtailment Stage and asked to lower consumption in order to comply with the landscape watering restrictions listed in the CPT for the appropriate curtailment stage in effect at the time.
3. Compliance with the provisions of this BMP tariff will be a condition of service.
4. The Company shall provide to its customers a complete copy of this BMP tariff and all attachments upon request for service. The customer shall follow and abide by these landscape watering restrictions.
5. If after a customer has been connected to the Company water system, the Company discovers that the customer is in violation of the landscape watering restrictions contrary to the above requirements, the Company shall notify (in writing) the customer of such violation and provide the customer with the appropriate educational materials informing the customer of some possibilities of how to correct the problem. The customer shall be allowed sixty (60) days to come into compliance with the above requirements. If after sixty (60) days the customer is not in compliance with the above requirements, the customer's service may be terminated per Arizona Administrative Code R14-2-410C, R14-2-410D and R14-2-410E.

6. Customer notice requirements and disconnection of service restrictions listed in the CPT shall apply for customer noncompliance with CPT Stage 4 landscape watering restrictions.
7. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.